

MONTANA BOARD OF HOUSING

301 S Park Ave., Room 226

Helena MT 59601

March 12, 2007

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Present via teleconference)
Jeff Rupp (Excused)
Audrey Black Eagle (Absent)
Jeanette McKee (Present)
Bob Gauthier (Present)

STAFF: Mat Rude, Multifamily Program Manager
Gerald Watne, Multifamily Program Officer
Mary Bair, Multifamily Program Specialist
Chuck Nemec, Accounting & Finance Manager
Vicki Bauer, Assistant Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Charles Brown, Homeownership Program Officer
Jeannene Maas, Training & Development Specialist
Penny Cope, Marketing & Web Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt
John Wagner, Kutak Rock

OTHERS: Gordon Hoven, Piper Jaffray
Jim Stretz, George K. Baum, & Co.
Steve Redinger, Intermountain Mortgage/Guild Mortgage Co.
Sheila Rice, Montana Homeownership Network
Sue Ann Grogan, Whitefish Housing Authority

CALL MEETING TO ORDER

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m.

INTRODUCTIONS AND PUBLIC COMMENTS

J. P. Crowley asked the Board, staff, and guests to introduce themselves and asked for any public comments.

APPROVAL OF MINUTES

Betsy moved to approve the February 12th Board meeting minutes. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

MULTIFAMILY PROGRAM

Mat Rude said the Board will allocate the Tax Credits at the April 4th meeting at the Colonial. There were 16 Low-Income Housing Tax Credits applications. He announced there will be a Tax Credit training session after the meeting today.

Mat said the Sage Tower is a project trying to make studio apartments into one-bedroom apartments for seniors and they are awaiting HUD approval because they will be lowering the number of units. It is for a \$2 million conduit deal for 4% Tax Credits using Montana Board of Housing (MBOH) bond cap for private placement bonds. Montana Board of Housing will monitor the project and provide volume cap. Betsy Scanlin moved to approve Resolution 07-0312-MF1 with a cap of \$2.2 million and interest not to exceed 7%. Bob Gauthier seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Susan Moyer mentioned receiving a letter from David Bland of Travois. She said the Qualified Allocation Plan (QAP) constantly changes after public input and suggestions and the Board responds to these recommendations. There is a process in place to rank the applications. Susan felt the Board should be buffered from lobbying by developers, especially before ranking. Developers have the opportunity to petition after staff recommendation and board votes. Pat Melby stated that he didn't think we could restrict applicants from writing to Board members; however, MBOH could adopt a policy that all correspondence would go in with the applications, so everyone has the same information and it is part of the record. Lewis & Clark County has a policy of no ex parte communications with applicants for subdivision regulations and MBOH may be able to do the same thing. The Board directed Pat to look into Montana law and present a proposed policy to be in the QAP.

MBOH received a Reverse Annuity Mortgage (RAM) request for exception to the age limit. Bob Gauthier moved to approve the exception. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

FINANCE PROGRAM

Chuck Nemec presented the quarterly budget report showing 39% of the budget spent at 58% of the fiscal year.

HOMEOWNERSHIP PROGRAM

Nancy presented a comparison of MBOH interest rates with Bloomberg and American Federal Saving Bank for the past month. The market rate has dropped, however MBOH is still on track and receiving the number of loans they should for this time of year. There is approximately \$13,000,000 of the 2007 A bond issue remaining.

The servicer delinquency report shows MBOH's portfolio doing better in January than it did in December.

Nancy gave information on the percentage of Homeownership in each county of Montana. The state percentage is 69.09% and national percentage is 66.19% according to the 2000 census.

Nancy gave the background for establishing income limits. Susan asked why MBOH does not follow HUD guidelines for size of family. Nancy responded that the IRS only has the two categories and the two person

limit actually is based on a 4 person household income. MBOH will revisit the larger family issue at another meeting.

The top 5 lenders originating loans for the past year were: Intermountain Mortgage-15%, Heritage Bank-13%, First Interstate Bank-11%, Stockman Bank-10%, and Wells Fargo 10%. These lenders originated 59% of the loans. The Housing and Development Reporter recognized Montana Homeownership Network for helping rural areas.

MBOH offered it's first training on how to do a purchase package. In addition, Jeannene Maas offers MBOH 101 that is designed for lenders and is offered once a month. Both use the GotoMeeting program on the website. Anyone can sign up for the MBOH Program updates that out monthly via e-mail on the housing website at: http://www.housing.mt.gov/Hous_Newsletter_Subscription.asp.

Guild Mortgage Company has applied for approval as a participating lender for MBOH. They have bought out the assets of Intermountain Mortgage. Nancy indicated that the existing portfolio by Intermountain no longer has any back-up liability for repurchase of loans. In the past, MBOH has not needed to use that option with Intermountain. Steve Redinger summarized the assimilation of Intermountain becoming part of Guild Mortgage Company. Guild services many Housing Finance Agency (HFA) loans, however, the servicing will continue to be through First Interstate Bank. Pat Melby, general counsel for the Board, stated that the application documents suggest that the Board has made exceptions to the servicing requirements to allow out of state servicing. This is inaccurate. It is a matter of interpretation of Board Rules. The Board has allowed out of state servicing for those servicers that maintain an office or offices in the state where a borrower can pay their mortgage, get information on the balance of their debt or escrow account, get information on what payments have been made for taxes and insurance, etc., which is consistent with Board rules, not an exception to them. Bob Gauthier moved to approve the application for Guild Mortgage Company as a participating lender with servicing through First Interstate Bank. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

The Board began discussion on incentives for encouraging Homebuyer Education. Rural Development is requiring Homebuyer Education on the 502 direct loans, which is an indicator of its importance. The trend is nationally to go with statistics and let a certain number of borrowers fail; however, Montana wants the best arrangement for its borrowers. This includes those families that go through the class and discover they are not ready to purchase a home. Staff suggested an incentive that is factored into the interest rate. Bob Gauthier suggested an upfront amount. Staff would like to converse with lenders for their input on the best way to encourage borrowers to go through Homebuyer Education as a service.

The mechanism to deliver homebuyer network training is handled administratively as a sole source contract with Montana Homeownership Network (MHN) because of the breadth of what is being done and the lack of any other organization in the state that does this sort of thing. In the non-profit world, efficiency is not duplicating services. Sheila Rice said there are 3 areas of HUD funding that don't compete with each other: Housing Finance Agencies, the National Intermediary Pool, and finally local housing counseling agencies. Using MBOH funds as match for any three of the areas will maximize the HUD funds for Montana. The partners that want to work with the National Intermediary or their own local housing counseling grant would be allocated certain dollar amounts of MBOH funding to maximize their points in grant application process to rank higher. If they don't receive funding, there still would be MBOH funding for them. Once HUD grants are announced in the fall, MHN would look at remaining needs and could request additional MBOH support at that time. Therefore, MHN is requesting \$200,000 for support for homebuyer counseling at this time. Susan Moyer moved to approve the request for \$200,000 for support for counseling education. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Sheila said there is an article in Homes for Working Families which features Montana, MBOH, along with MHN as a solution to increase availability of affordable homes and expand homeownership education and counseling.

The Board set aside funds in 1995 to help disabled individuals who have an access issue. Staff requested an allocation of \$1,000,000 for this program. Jeanette McKee moved to approve the request. Bob Gauthier seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

The Whitefish Housing Authority requested \$1,500,000 for first mortgages for 12 homes for first-time homebuyers in the City of Whitefish. Sue Ann Grogan who represents the Whitefish Housing Authority, which is a pioneer of inclusionary zoning, gave a summary of the proposal and explained the element of permanent affordability. Bob Gauthier moved to approve the request for \$1,500,000 for the Whitefish Housing Authority for first mortgages for 12 homes for first-time homebuyers in the City of Whitefish. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Bob Gauthier amended the motion to include an eighteen month time limit. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

EXECUTIVE DIRECTOR

Mat Rude gave an update on the status of Legislative bills.

Penny Cope gave the Board copies of the Annual Report with the financial report on the included disk.

Betsy and JP gave an overview of the NCSHA Legislative Conference in Washington DC. They met with the three congressional representatives.

Sheila Rice gave an update on the Mountain Spring Villa in Red Lodge. Several representatives were sent to the Neighbor Works training session which included curriculum on manufactured housing preservation and development. There were two days of preservation of existing parks and organizing residents. An application has been submitted to HOME for a grant.

The next meeting is scheduled for April 4 in Helena and there will be a training session for the Board in the afternoon on April 3rd. Future meetings are tentatively scheduled for May 7th in Hamilton and June 6th in Glendive.

The meeting adjourned at 11:15 a.m.

Susan Moyer, Secretary

Date